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Claire Perry, MP  
Minister of State  
Department for Business, Energy and Industrial  
Strategy  
1 Victoria Street  
London  
SW1H 0ET

15 December 2017

By email

Could you please reply by  
email to the ETG  
Secretariat at  
[john.craven@etg.uk.com](mailto:john.craven@etg.uk.com)

Dear Minister,

**UK EU ETS policy preparation post BREXIT**

Thank you for your reply dated 7<sup>th</sup> November. Since then, the UK Government has worked successfully to agree a workable compromise on the implementation of Amendment 47 at the Climate Change Committee on 30 November 2017. This compromise and the ensuing UK legislation appears to have avoided the short-term problems associated with separately identifying UK allowances and suspending their validity. ETG members welcome the clarity that this agreement provides for 2018 compliance.

Two urgent issues for UK EU ETS installations and aviation operators, however, remain unresolved:

- The surrender of allowances for UK installations for periods post BREXIT; and
- The allocation of allowances in 2019 both before and after BREXIT day on 29<sup>th</sup> March 2019.

The UK Government has only partially addressed these questions in the statement in the BEIS Consultation<sup>1</sup> to suspend free allocation and auctioning in 2019 up to BREXIT day:

*...in the event that arrangements after the date of withdrawal are not sufficiently clear by the start of 2019, the Government proposes to accept suspending issuing UK allowances (both auctioning and free allocation) between January and March 2019. The Government would intend to lift this suspension as soon as arrangements are clear.*

/While this holding position

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<sup>1</sup> CONSULTATION ON BRINGING FORWARD EU EMISSIONS TRADING SYSTEM 2018 COMPLIANCE DEADLINES IN THE UK

While this holding position provides reassurance to other EU Member States, it does not resolve the question of how UK installations will receive allowances and meet their enduring compliance requirements post Brexit. Specifically, ETG Members remain concerned that under enduring UK legislation they will continue to face an obligation to comply and penalties, but will not have received free allocations and will not be able to access the EU or an alternate registry to demonstrate compliance. ETG members would therefore like further clarity on how UK installations will retain access to allowances and how installations will surrender allowances for compliance in two scenarios:

- If the UK continues to participate in the EU ETS to the end of Phase 3 under a transition agreement as outlined in the Prime Minister's Florence Speech; and
- In the event that there is no agreement dealing with these issues between EU and UK once the UK leaves the EU on 29 March 2019 (the so-called 'hard BREXIT' option).

Alternatively, if Government's view is that UK operators will not need to retain access to allowances for compliance, we would be grateful if you could provide further clarity around what measures Government plans to take to ensure that this need is avoided.

I very much look forward to hearing how Government is proposing to address these scenarios.

Yours sincerely,



**Paul Dawson**  
**Chair UK ETG**

cc

The Rt Hon Greg Clark MP - Secretary of State for Business, Energy and Industrial Strategy

The Rt Hon David Davis MP - Secretary of State for Exiting the European Union

The Rt Hon Philip Hammond MP - Chancellor of the Exchequer

Richard Harrington, Parliamentary under Secretary of State, Minister for Energy and Industry, BEIS

Robin Walker MP, Minister of State, DEXEU

Andrew Jones MP, Exchequer Secretary to HM Treasury